

Message Text

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PAGE 01 BONN 17543 220318Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 STR-05 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 DODE-00
PM-05 H-02 L-03 NSC-05 PA-02 PRS-01 SS-15 IGA-02
CEA-01 /120 W

-----086325 221233Z /40

R 211725Z OCT 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 2473
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA

UNCLAS BONN 17543

USEEC AND USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, ECON, GW
SUBJECT: CONFERENCE COMMITTEE PROPOSES TO UP TAX
RELIEF PROGRAM TO SOME DM 11 BILLION

REF: (A) BONN 16733; (B) BONN 15209; (C) BONN 14722

1. REPRESENTATIVES OF BOTH THE COALITION AND THE
OPPOSITION ON THE BUNDESTAG/BUNDESRAT CONFERENCE
COMMITTEE HAVE NOW DECIDED TO PROPOSE TO BOTH HOUSES
THE FOLLOWING COMPROMISE TAX RELIEF PACKAGE, WHICH
WOULD INCREASE THE SIZE OF PACKAGE FROM 7.2 BILLION
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TO A NEW DM 11 BILLION:

(A) INTRODUCTION, ON A PERMANENT BASIS, OF A
DEDUCTION FROM TAXABLE INCOME OF DM 510/1,020
(SINGLE/COUPLES). THIS WOULD BENEFIT THOSE
IN HIGHER TAX BRACKETS MORE THAN THOSE IN
LOWER BRACKETS.

(B) REDUCTION OF PROPOSED INCREASE IN THE BASIC EXEMPTION (WHICH WOULD REDUCE THE TAX PAYMENTS OF ALL TAXPAYERS EQUALLY--PARA 1A OF REF C) FROM THE GOVERNMENT PROPOSED DM 510/1,020 TO A NEW DM 300/600.

(C) MAINTAINING THE INCREASED CHRISTMAS EXEMPTION AND ACCELERATED DEPRECIATION ALLOWANCES AS PROPOSED BY THE GOVERNMENT.

2. AS A RESULT OF THESE CHANGES, ANNUAL TAX SAVINGS OF SINGLE TAXPAYERS WOULD AMOUNT TO A MINIMUM OF DM 178 (APPRECIABLY MORE FOR HIGHER INCOME BRACKETS) RATHER THAN THE UNIFORM DM 112 SAVINGS ENVISAGED IN THE GOVERNMENT'S DRAFT PROPOSAL. PUBLIC SECTOR ANNUAL REVENUE LOSSES INVOLVED IN THE INCREASED BASIC EXEMPTION AND NEW DEDUCTION PROPOSALS ARE TENTATIVELY ESTIMATED TO AMOUNT TO SOME DM 7.2 BILLION, VERSUS THE DM 3.6 BILLION THAT WOULD HAVE BEEN INVOLVED UNDER THE GOVERNMENT PROPOSAL TO ONLY INCREASE THE BASIC EXEMPTION BY LARGER AMOUNTS

3. THE GOVERNMENT'S PROPOSALS FOR (1) AN INCREASE IN THE CHRISTMAS EXEMPTION TO DM 400 MILLION DESCRIBED IN PARA 1B OF REF C AND INVOLVING A REVENUE LOSS OF UNCLASSIFIED

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DM 2.1 BILLION, AND (2) MORE GENEROUS DEPRECIATION ALLOWANCES COSTING SOME DM 1.5 BILLION (PARA 2B OF REF B) WERE LEFT UNCHANGED BY THE COMMITTEE.

4. THE COMMITTEE'S PROPOSALS STILL REQUIRE APPROVAL BY BOTH HOUSES WHICH, HOWEVER, SEEMS ASSURED. FINAL VOTES IN THE BUNDESTAG AND THE BUNDESRAT HAVE TENTATIVELY BEEN SCHEDULED FOR, RESPECTIVELY, SOME TIME NEXT WEEK AND NOVEMBER 4.
STOESSEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEES, TAX RELIEF, TAX CHANGES
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN17543
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770389-0645
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771035/aaaabdsp.tel
Line Count: 104
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 18033a2a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BONN 16733, 77 BONN 15209, 77 BONN 14722
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 837272
Secure: OPEN
Status: NATIVE
Subject: CONFERENCE COMMITTEE PROPOSES TO UP TAX RELIEF PROGRAM TO SOME DM 11 BILLION
TAGS: EFIN, ECON, GE
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/18033a2a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009